



THE 'FURLOUGH' SCHEME – INACCURATE CLAIMS (A WARNING) !

BACKGROUND

Until the close of the **Coronavirus Job Retention Scheme (CJRS)** or 'furlough' scheme in September 2021, many thousands of UK businesses benefited from the funding that the scheme provided, in order to keep their employees paid and on their payroll during the worst of the COVID-19 pandemic !

It should also be noted that the 'furlough' scheme has cost the UK economy in the region of **£100Bn** during its lifetime, most of which was borrowed by the Government and will need to be repaid – through increases in taxes on individuals and businesses – **see the recent Budget !**

The scheme was a key element of enabling many small businesses to survive during the various 'lockdowns', who are now trying to trade back as much as normal as possible i.e. **delivering on what the 'furlough' scheme was meant to achieve for the economy !**

However there are examples of businesses who have taken advantage of the 'furlough' scheme either

- unfairly (through making claims that are not entirely accurate through the scheme/making staff work while on 'furlough'/not passing through ALL of the grant monies to employees, or
- fraudently/corruptly (making entirely fictitious claims etc)

Quite reasonably enough, HMRC and other Government bodies are now seeking to ensure that businesses that made any errors in their use of the scheme deal with any repayments, while also investigating and bringing to account those businesses that acted 'unfairly' or 'fraudently' with obtaining public funds !

WHAT IS HAPPENING WITH THOSE BUSINESSES THAT MISUSED 'FURLOUGH' MONIES ?

A recent case highlights a good example of what is happening **NOW** more widely in terms of bringing some of those businesses to account i.e.

"HMRC has issued an order to seize £26.5m worth of cash allegedly obtained fraudulently through the 'furlough' scheme from 'non-existent' businesses run by an 'entrepreneur' !

Cardiff Magistrates Court granted HMRC a forfeiture order over five Nationwide building society accounts, with amounts involved described in the case as 'eye-watering' and of 'grave concern to the public'. The accounts were all owned and controlled by four different limited companies to access furlough funds.

Under the Criminal Finances Act 2017, a **Forfeiture order** is granted when a district court is satisfied that the funds in an account represent the **proceeds of crime** or are intended for illegal use.

HMRC told the court that the funds had been obtained via the 'furlough scheme' through allegedly inventing employees when the furlough scheme was introduced, and also using different national insurance (NI) numbers which were either 'fake or stolen'.

The four limited companies involved had claimed to be an IT services company, a charity, a research hospital, and a religious institute and were all registered at a virtual office address in London.



It is thought that the companies had a total of circa 50 employees between them and are estimated to have received each between £5m and £10m in grant funds in May 2021 alone and around £250,000 per month in each of the prior six months.”

Although this may be a more extreme example, it does highlight some of the misuse involved – but also that the Government and HMRC are now currently taking action against the misuse of the ‘furlough’ scheme !

WHATS NEXT ?

This process is likely to continue over the coming weeks and months, and those businesses that have clearly ‘**overstepped the mark**’ in terms of their involvement with the ‘furlough’ scheme being investigated and brought to account as much as possible.

However at the same time, there are (and will be) incidences where more innocuous errors or omissions (or in some cases miscalculations etc) may have occurred while trying to comply with the ‘**ever changing**’ rules of the ‘furlough’ scheme during it’s lifetime in 2020 and 2021.

Therefore if you identify that an error has been made at some point in the use of the scheme by your business, or you subsequently determine that you didn’t actually require the level of support that you obtained, then HMRC has a facility for repayments to be made where this is necessary (or desirable).

Rest assured that at the same time HMRC are reviewing ‘furlough’ claims made by businesses and errors that are identified by them will result in enquiries, investigations, penalties and/or interest, so ensure that your claims are in order – or are dealt with by making the relevant repayment(s) that may be involved !

Contact us at Sakura if you want to find out more about any issues with the ‘furlough’ scheme ! Contact us on 0207952 1230 or at damian@sakurabusiness.co.uk

Alternatively go to HMRC’s website to find out more about repayments of the ‘furlough’ grant monies - <https://www.gov.uk/guidance/pay-coronavirus-job-retention-scheme-grants-back>